

JUSTIFICATION FOR NON-COMPETITIVE PROCUREMENT

COMPLETE THIS SECTION IF NEW CONTRACT

For contract(s) in this request, answer applicable questions in each of the 4 major subject areas below in accordance with the Instructions for Preparation of Non-Competitive Procurement Form on the reverse side.

Request that negotiations be conducted only with Psychemedics for the product and/or services described herein.

(Name of Person or Firm)

This is a request for _____ (One-Time Contractor Requisition # 23828, copy attached) or X Term Agreement or _____ Delegate Agency (Check one). If Delegate Agency, this request is for "blanket approval" for all contracts within the _____ (Attach List) Pre-Assigned Specification No. _____

(Program Name)

Pre-Assigned Contract No. _____

COMPLETE THIS SECTION IF AMENDMENT OR MODIFICATION TO CONTRACT

Describe in detail the change in terms of dollars, time period, scope of services, etc., its relationship to the original contract and the specific reasons for the change. Indicate both the original and the adjusted contract amount and/or expiration date with this change, as applicable. Attach copy of all supporting documents. Request approval for a contract amendment or modification to the following:

Contract #: _____

Company or Agency Name: _____

Specification #: _____

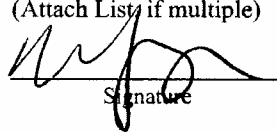
Contract or Program Description: _____

Modification #: _____

(Attach List if multiple)

Sgt. Ricardo Rivero
 Originator Name

745-5698
 Telephone


 Signature

CPD
 Department

08-JUNE-07
 Date

Indicate SEE ATTACHED in each box below if additional space needed:

<input type="checkbox"/> PROCUREMENT HISTORY SEE ATTACHED	
<input type="checkbox"/> ESTIMATED COST SEE ATTACHED	S. S. R. B. DATE <u>6/22/07</u> APPROVED <u>DWY</u>
<input type="checkbox"/> SCHEDULE REQUIREMENTS SEE ATTACHED	CONDITIONALLY APPROVED <u>DWY</u>
<input type="checkbox"/> EXCLUSIVE OR UNIQUE CAPABILITY SEE ATTACHED	RETURN TO DEPT _____ APPROVED _____
<input type="checkbox"/> OTHER SEE ATTACHED	* conditions have been met by the submission of supplementary information. DWY 7/24/07

APPROVED BY: 
 DEPARTMENT HEAD OR DESIGNEE

FOR M. STEAR

08-JUNE-07
 DATE


 BOARD CHAIRPERSON

6/24/07
 DATE

DPS PROJECT CHECKLIST

For DPS Use Only	
Date Received	_____
Date Returned	_____
Date Accepted	_____
CA/CN's Name	_____

IMPORTANT: PLEASE READ AND FOLLOW THE INSTRUCTIONS FOR COMPLETING THE PROJECT CHECKLIST AND CONTACT THE APPROPRIATE UNIT MANAGER IF YOU HAVE ANY FURTHER QUESTIONS. ALL INFORMATION SHOULD BE COMPLETED, ATTACH ALL REQUIRED MATERIALS AND SUBMIT FOR HANDLING TO THE DEPARTMENT OF PROCUREMENT SERVICES, ROOM 403, CITY HALL, 121 N. LASALLE STREET, CHICAGO, ILLINOIS 60602.

GENERAL INFORMATION:

Date: 08-JUNE-07
REQ No.: 33828

Contact Person: MOLLY LONGANECKER
Tel: 5-5599 Fax: E-mail: @cityofchicago.org

PO No.: (if known): NA

Project Manager: Sgt. Ricardo Rivero
Tel: 745-5698 Fax: E-mail: @cityofchicago.org

Modification No.: (if known): NA

Previous PO No.: (if known): T7-9485504

Project Description: DRUG TEST SCREENING

FUNDING:

- | | | | | | |
|----------|---------------------------------------|---------------------------------------|-------------------------------------|---------------------------------|--------------------------------|
| City: | <input type="checkbox"/> Corporate | <input type="checkbox"/> Bond | <input type="checkbox"/> Enterprise | <input type="checkbox"/> Grant* | <input type="checkbox"/> Other |
| State: | <input type="checkbox"/> IDOT/Transit | <input type="checkbox"/> IDOT/Highway | <input type="checkbox"/> FAA | <input type="checkbox"/> Grant* | <input type="checkbox"/> Other |
| Federal: | <input type="checkbox"/> FHWA | <input type="checkbox"/> FTA | | <input type="checkbox"/> Grant* | <input type="checkbox"/> Other |

LINE	FY	FUND	DEPT	ORGN	APPR	ACTV	OBJT	PROJECT	RPTG	\$ DOLLAR AMOUNT
00	007	0100	057	0573028	9027	220122				

Estimated Value \$700k

*IF GRANT FUNDED, A COPY OF THE APPROVED GRANT AND APPLICATION ARE REQUIRED and any other Terms and Conditions that may apply.

SCOPE STATEMENT:

Attached is a Detailed Scope of Services and/or Specification

IMPORTANT: THIS IS A CRITICAL PORTION OF YOUR SUBMITTAL. IN ORDER FOR DPS TO ACCEPT YOUR SUBMITTAL YOU MUST COMPLETE THE SPECIFIC SCOPE REQUIREMENTS AS SET FORTH IN THE SUPPLEMENTAL CHECKLIST FOR THAT UNIT.

The following is a general description of what should be included in a Scope of Services or Specification:

A clear description of all anticipated services and products, including: time frame for completion, special qualifications of prospective vendors, special requirements or needs of the project, locations, anticipated participating user departments, citation of any applicable City ordinance or state/federal regulation or statute.

TYPE OF PROCUREMENT REQUESTED (check all that apply):

NEW REQUEST

- Blanket Agreement
- Standard Agreement
- Small Orders

MOD/AMENDMENT

- Time Extension
- Vendor Limit Increase
- Scope Change/Price Increase/Additional Line Item(s)
- Other (specify):

FORMS: Requisition Special Approvals Non-Competitive Review Board (NCRB)

CONTRACT TERM: 3yrs Requested Term (number of months): 60

PRE BID/SUBMITTAL REQUIREMENTS:

Requesting Pre Bid/Submittal Conference? Yes No Requesting Site Visit? Yes No

DPS PROJECT CHECKLIST

ARCHITECTURAL/ENGINEERING SUPPLEMENTAL CHECKLIST

Required Attachments: Scope of Services, including location, description of project, services required, deliverables, and other information as required

Risk Management

Will services be performed within 50 feet of CTA train or other railroad property? Yes No

Will services be performed on or near a waterway? Yes No

If applicable, Pre-Qualification Category No. _____ Category Description: _____

For Pre-Qualification Program, attach list of suggested firms to be solicited

Other Agency Concurrence Required: None State Federal Other (fill in) _____

AVIATION CONSTRUCTION SUPPLEMENTAL CHECKLIST

DOA sign-off for final design documents: Yes No

Required Attachments:

Copy of Draft Contract Documents and Detailed Specifications.

Risk Management:

Current Insurance Requirements prepared/approved by Risk Management: Yes No

Will work be performed within 50 feet of CTA or ATS structure or property? Yes No

Will work be performed airside? Yes No

***NOTE:** Any non-construction Aviation request, complete the applicable section.

COMMODITIES SUPPLEMENTAL CHECKLIST

Required Attachments: Detailed Specifications (Scope of Services) including detailed description of the product, delivery location, user department contact, price escalation considerations, Bidder's qualification, contract term and extension options, Contractor's qualifications, citation of any applicable City/State/Federal statutes or regulations, citation of any applicable technical standards and Price Lists/Catalogs, technical drawings and other exhibits and attachments as appropriate.

If Modification request, please verify and provide the following:

Contractor's Name:

Contractor's Address:

Contractor's e-mail Address:

Contractor's Phone Number:

Contractor's Contact Person:

CONSTRUCTION SUPPLEMENTAL CHECKLIST

Required attachments:

Copy of Draft (80% Completion), Contract Documents and Detailed Specifications

Risk Management

Will services be performed within 50 feet of CTA train or other railroad property? Yes No

Will services be performed on or near a waterway? Yes No

DPS PROJECT CHECKLIST

VEHICLES/HEAVY EQUIPMENT SUPPLEMENTAL CHECKLIST

Required Attachments:

- Detailed Specifications including detailed description of the vehicle(s) or equipment, mounted equipment, if any, and options/accessories.
- Special Provisions (Delivery, Warranty, Manuals, Training, Additional Unit Purchase Options, Bid Submittal Information, etc.)
- Delivery Location(s)
- Technical Literature
- Drawings, if any
- Part Number List (Manufacturer; or Dealer; or Other Source:)
- Current Price List(s)/Catalog(s)
- Special Approval Form
- Exhibits and Attachments

If **Modification request**, please verify and provide the following:

Contractor's Name:

Contractor's Address:

Contractor's e-mail Address:

Contractor's Phone Number:

Contractor's Contact Person:

PROFESSIONAL SERVICES SUPPLEMENTAL CHECKLIST

- Detailed description of project listing obligations of each party.
- The Schedule of Compensation
- Deliverables
- Request for individual contract services (if applicable)
- The appropriate EPS form
- ITSC (approved by BIS)
- OBM (approved by Budget form/memo)
- Grant document attached

Attach any documentation indicating any previous purchase activity to assist in the procurement process

TELECOMMUNICATIONS AND UTILITIES SUPPLEMENTAL CHECKLIST

Required Attachments: Detailed Scope of Services/Specification which sets forth all of the anticipated services and products the user department wants provided, including time frame for completion, special qualifications of prospective vendors, special requirements or needs of the project, locations, anticipated participating user departments, citation of any applicable City ordinance or state/federal regulation or statute.

Has the project been reviewed by DGS? Yes No

Attach copy of DGS Recommendation; Reservation(s); or participate under current contract.

Does the project include software? Yes No

If yes, is signed ITSC form attached? Yes No

Does the location involve:

A public way? Yes No

Any concession in the City's facilities? Yes No

Is it anticipated City Council approval of the project or contract will be required? Yes No

DPS PROJECT CHECKLIST

WORK SERVICES/FACILITY MAINTENANCE SUPPLEMENTAL CHECKLIST

Required Attachments: Detailed Specifications (Scope of Services) including detailed description of the work, locations (with supporting detail), user department contacts, work hours/days, laborer/supervisor mix, compensation and price escalation considerations, Bidder's qualification, contract term and extension options, Contractor's qualifications, citation of any applicable City/State/Federal statutes or regulations, citation of any applicable technical standards and Price Lists/Catalogs, technical drawings and other exhibits and attachments as appropriate.

Risk Management:

Will services be performed within 50 feet (50') of CTA train or other railroad property? Yes No

Will services be performed on or near a waterway? Yes No

Will services require the handling of hazardous/bio-waste material? Yes No

Will services require the blocking of streets or sidewalks which may affect public safety? Yes No

If Modification or Amendment request, please verify and provide the following:

Contractor's Name:

Contractor's Address:

Contractor's e-mail Address:

Contractor's Phone Number:

Contractor's Contact Person:

EXCLUSIVE OR UNIQUE CAPABILITY “EXCLUSIVE OR UNIQUE CAPABILITY”

1. If contemplating hiring a person or firm as a Professional Service Consultant, explain in detail what professional skills, expertise, qualifications, other factors make this person or firm exclusively or uniquely qualified for the project. Attach copy of cost proposal and scope of services.

See attached (Scope of Services)

2. Does the proposed firm have personnel considered unquestionably predominant in the particular field?

Dr. Michael Schaffer- one of 400 worldwide premier toxicologists.
Dr. Thomas Cairns, Senior Scientist, litigation expert.

3. What prior experience of a highly specialized nature does the person or firm exclusively possess that is vital to the job, project or program?

This laboratory is the largest hair testing Lab worldwide processing more specimens than all other Labs combined. The FDA looks to this Lab to set the standards for the hair testing industry. Psychemedics has the only FDA clearance for both head and body hair. 20% of CPD collections come from body hair. The experience lies in the methodology of testing, primarily the digestion of hair through enzymes leaving behind drug residue. This patented procedure does not destroy the drug which results in more positives. The alternative is to use harsh chemicals to leach the drug from the hair which destroys evidence in the process. All drug evidence destroyed represents potential employees who are drug users. Equally important is the preparation of the specimen. Each sample is washed six times for a total of 3 hours and 45 minutes. The biggest criticism of hair testing is external contamination. This exclusive wash removes the 'Race bias' argument but more importantly protects police officers who routinely contact large quantities of narcotics. The Psychemedics methodology resulted in a successful court decision, see Jones et al. v. City of Chicago, Civil action No. 99 C 8201, winning a racial bias allegation and avoiding civil damages.

4. What technical facilities or test equipment does the person or firm exclusively possess of a highly specialized nature which is vital to the job?

See # 3 Exclusive or Unique Capability

5. What other capabilities and/or capacity does the proposed firm possess which is necessary for the specific job, project or program which make them the only source who can perform the work within the required time schedule without unreasonable costs to the City?

This contractor has the capacity to process high volume without decreasing turnaround time. The critical point of capacity is the finite capacity of equipment used in confirmation. Psychomedics laboratory has the largest collection of tandem mass spectrometry equipment in the world dedicated to hair analysis. Turnaround time is crucial in the police hiring process because drug results have to be known before proceeding to the next stage of processing which is sometimes separated by as little as a week.

6. If procuring products or equipment, describe the intended use and explain any exclusive or unique capabilities, features and/or functions the items have which no other brands or models, etc. possess. Is compatibility with existing equipment critical from an operational standpoint? Explain why.

Not Applicable

7. Is competition precluded because of the existence of patent rights, copyrights, trade secrets, technical data, or other proprietary data? Attach documentation verifying such.

Yes, because of proprietary data and patent rights. (See attached)

8. If procuring replacement parts and/or maintenance services, explain whether or not replacement parts and/or services can be obtained from any other sources? If not, is the proposed firm the only authorized or exclusive dealer/distributor and/or service center? If so, attach letter from manufacturer.

Not Applicable

MBE/WBE COMPLIANCE PLAN

1. All submissions must contain detailed information about how the proposed firm will comply with the requirements of the City's Minority and Women Owned Business program. All submissions must include a complete C-1 and D-1 form, Which is available on the Procurement Service page on the City's intranet site.

OTHER “OTHER”

1. Explain other related considerations and attach all applicable supporting documents (an approved Information Technology Strategy Committee (ITSC) form, an approved Request for Individual Contract Services form, etc.)

REVIEW AND APPROVAL “REVIEW AND APPROVAL”

This form must be signed by both the Originator of the request and approved by the Department Head or authorized designee. After review and final disposition from the Board, this form will be stamped to indicate the final disposition and signed by the Chairperson of the Board Head or authorized designee. After

PROCUREMENT HISTORY (INCLUDING FUTURE PROCUREMENT OBJECTIVES)

1. Describe the requirement and how it evolved from initial planning to its status.

Hair testing provides a long term picture of drug usage and has been used since 1997 for pre-employment testing. All hair testing is not alike. The Department needs a test that can identify the most users while maintaining accuracy and integrity. The Department also needs a test that is defensible and one that protects the Department from liability if the test results are challenged in court.

2. Is this a first time requirement or a continuation of previous procurement from the same source? If so, explain the procurement history.

Contract history #T7-9485504-01,T1990330101 (1997 to the present)

3. Explain attempts made to competitively bid the requirement. (Attach copy of notices and list of sources contacted)

Currently Psychemedics is the only Laboratory capable of meeting specifications. Consequently this contract has been sole source.

4. Describe all research done to find other sources. (List other cities contacted, companies in the industry contacted, professional organizations, periodicals and other publications used).

There are only two companies nationally who have FDA clearance for head hair, Psychemedics corporation and Quest Diagnostics. Psychemedics is the only head and body hair FDA cleared laboratory. The Police Department utilizes body hair in 20% of its pre-employment testing and cannot leave to chance that 1 out of 5 future police hires are using narcotics. Consequently Psychemedics is the sole provider that can meet this specification.

5. Explain future procurement objectives. Is this a one-time request or will future requests be made for doing business with the same source?

This request is for a standard (3) year contract.

6. Explain whether or not future competitive bidding is possible. If not, why not?

Future competitive bidding will not be possible until the following patents expire and become available to other Laboratories. There are five years remaining before the patents expire.

- U.S. Patent No. 5,324,642; 5,466, 579; 6,022,693; 6,350,582; 6,582,924; 6,949,344

ESTIMATED COST “ ESTIMATED COST “

1. What is the estimated cost for this requirement (or for each contract, if multiple awards contemplated)? What is the funding source?

(3) years at \$115,650.00 = \$346,950.00

2. What is the estimated cost by fiscal year, if the job project or program covers multiple years?

\$115,650.00

3. Explain the basis for estimating the cost and what assumptions were made and/or data used (ie. Budgeted amount, previous contract price, current catalog or cost proposal from firms solicited, engineering or in-house estimate, etc).

Cost proposal from Psychemedics. Represents a 9% price reduction from current contract.

Pre-employment hair testing	<u>3000@\$37.00</u>	\$111,000.00
Expert witness testimony	<u>6@\$500.00</u>	3000.00
Multi-Sectional	<u>10@\$90.00</u>	900.00
Safety Net Program	<u>6@ \$125.00</u>	<u>750.00</u>
		\$115,650.00

4. Explain whether the proposed Contractor or the City has a substantial dollar investment in original design, tooling or other factors which would be duplicated at City expense if another source was considered. Describe cost savings or other measurable benefits to the City which may be achieved.

The contractor has the only patent in the industry for Radioimmunoassay detection of drugs. The procedure cannot be duplicated nor replicated, it is an exclusive patent. The contractor has the capability to handle the large numbers of tests submitted with expeditious turnaround. This contractor only does hair testing and does not need to share machines with urine testing. They have substantial investment in their patented technology including MS/MS, GC/MS/MS, and LC/MS/MS drug testing machines. These investments allow for large numbers to be processed facilitating hiring schedules for sworn personnel.

5. Explain what negotiation of price has occurred or will occur. Detail why the estimated cost is deemed reasonable.

The new price proposal by this vendor is 9% less than the previous contract. The cost is reasonable because this is the only vendor who can guarantee 100 percent accuracy because of their patented technology and expertise in hair testing. Resulting litigation from just one false positive can easily equate to more than the price of the contract. Conversely the inability to detect positives could have equally catastrophic consequences.

SCHEDULE REQUIREMENTS “SCHEDULE REQUIREMENTS”

1. Explain how the schedule was developed and at what point the specific dates were known.

The City conducts pre-employment hair drug testing on an annual basis and has done so since 1997. This is an ongoing process.

2. Is lack of drawings and /or specifications a constraining factor to competitive bidding? If so, why is the proposed Contractor the only person or firm able to perform under these circumstances? Why are the drawings and specifications lacking? What is the lead time required to get drawings and specifications suitable for competition? If lack of drawings and specifications is not a constraining factor to competitive bidding, explain why only one person or firm can meet the required schedule.

(See #3, Exclusive or Unique Capability)

3. Outline the required schedule by delivery or completion dates and explain the reasons why the schedule is critical.

Testing is ongoing and occurs on a daily basis. The schedule is critical because any lapse would affect sworn safety sensitive positions as well as civilian hiring for the Chicago Police Department.

4. Describe in detail what impact delays for competitive bidding would have on City operations, programs, costs and budgeted funds.

The number of Police Officers hired could be delayed and constitute a public safety issue. All safety sensitive positions within the Chicago Police Department would be impacted.

STANDARDS AND SPECIFICATIONS FOR HAIR TESTING

Laboratory Specifications

The laboratory must use screening tests that have received 510(k) clearance from the Food and Drug Administration for use with hair for each of the drugs to be tested. The clearance must encompass both head and body hair.

The analyzing laboratory shall be accredited for forensic analysis by the New York State Department of Health, the State of Florida for Health Care Administration., and the State of Oklahoma for hair testing. The laboratory also must be certified under the terms of the Clinical Laboratories Improvement Act (CLIA) and certified under the College of American Pathologists (CAP) program. Furthermore, the laboratory must have provided a commercial hair analysis testing service for corporate clients for a period of no less than five (5) years. The laboratory must participate in any round robin testing conducted by the National Institute for Standards and Technologies, and any proficiency testing conducted by the National Institute for Standards and technologies, and any proficiency testing conducted by the International Hair Testing Society. The lab must document that they have achieved superior results in the above proficiency testing. Additionally, the laboratory must maintain and certify in writing:

- The ability of their testing process to remove or discern external contamination; and
- The ability of their experts to appear in court and support tests performed under contract;
- The ability to provide archival results on blind field studies; and
- Information concerning any other certifications, inspections and/or license revocations and /or suspensions.

Reporting Test Results

The initial screening test must be completed within 48 hours of receipt. The negative sample results from the screen must be reported within 24 hours of completion of the initial screening test. The confirmatory Mass Spectrometry test must be completed within (5) working days of a presumptive positive result on the initial RIAH test. The positive results must be reported within 24 hours of certification of the confirmed positive result.

Sample Analysis

The procedure for analysis shall involve a two-tiered protocol: (1) Screening for the five drug groups (amphetamines, opiates, cocaine, phencyclidine and marijuana metabolite), (2) followed by a confirmation of all positive results via mass spectrometry, using either GC/MS or GC/MS/MS or LC/MS/MS. All samples analyzed must be subject to an enzyme digestion to release all drug entrapped in the hair rather than a dissolution of the hair via strong alkali or acid or solvent. All confirmation analysis methods must eliminate the melanin fraction of the hair before analysis.

Screening

The initial screening of the sample, using total weight of no more than 8-10 mgs of the collected 50 mgs, shall be conducted via Radioimmunoassay (RIA) techniques.

Decontamination Procedures

Samples undergoing subsequent RIA and mass spectrometry confirmation shall be decontaminated using an effective wash procedure previously published in the peer reviewed literature. At a minimum the wash procedure shall include a 15-30 minute wash in dry isopropanol at 37 degrees Celsius and shaken at 100 cycles per minute followed by three (3) successive phosphate buffer (0.01M) washes each for 30 minutes at 37 degrees Celsius with shaking at 100 cycles per minute. The phosphate buffer wash shall be analyzed quantitatively to determine the effectiveness of the wash procedure in the removal of any external contamination. Then the hair must be liquefied/digested to release the entrapped drug and the drug concentration measured quantitatively by mass spectrometry using the isotope dilution method. The lab will provide a detailed scientific protocol of how the digest and the wash will be evaluated with regards to the criteria for discerning potential external contamination and for determining and reporting samples as positive or negative.

Mass Spectrometry

Protocols for structural confirmation and concurrent quantification must employ the technique commonly referred to as isotope dilution Mass Spectrometry.

Confirmation Cutoff Values

Drug confirmation analysis on decontaminated digested extracts via Mass Spectrometry shall employ the following values:

- Marijuana metabolite: 1 pg/10 mg hair
(11-nor-9-Carboxy-delta-9-THC)
- Cocaine: 5 ng/10 mg hair, and:
- Benzoyllecgonine greater than or equal to 5% of cocaine or
- Cocaethylene at 0.5ng/10 mg hair or
- I-Norcocaine at 0.5 ng/10 mg hair
- Opiates: 2 ng/10 mg of hair, including:
 - Codeine
 - 6-Monoacetylmorphine (heroin metabolite)
 - Morphine
- Phencyclidine: 3ng/10mg of hair
- Amphetamines: 5ng/10 mg hair including:
- Methamphetamine (will only be reported if there is also amphetamine present)
- Methylenedioxymethamphetamine (MDMA/Ecstasy): 5ng/10 mg hair (MDMA will only be reported if there is also MDA present).
- Methylenedioxyamphetamine (MDA/Metabolite): 5ng/mg hair

Documentation & Sample Reserve

The testing laboratory must maintain all sample records, including chain of custody for a period of five (5) years. Positive samples will remain in storage for five (5) years, while negative samples will remain for a period of, at least thirty (30) days.

Random Drug Testing Unit
Psychomedics Sole Source Justification

Prepared for
Sole Source Review Board
City of Chicago

Prepared by
Ricardo Rivero
Commanding Officer RDTU

21 June 2007

EXECUTIVE SUMMARY

1

This report analyzes the justification for awarding Psychemedics Corporation a sole source contract for hair testing within The Chicago Police Department's scope of Drug testing. All hair testing is not alike. The Chicago Police department seeks to engage the services of that vendor that can offer the Department the detection capabilities and safeguards necessary to eliminate drug use in our workforce and protect the rights of the applicants/employees of the Department. The Department realizes that Psychemedics patented hair testing includes the following advantages.

- All of Psychemedics' assays are cleared by the FDA for both head hair and body hair. Psychemedics is the **only** laboratory to have assays FDA cleared for both head and body hair. This is particularly important to the Department's program because appx. 20% of our samples consist of body hair.
- The only wash process in the industry that eliminates external contamination and melanin which in turn eliminates the 'Racial Bias' argument and avoids costly litigation. (Jones et al. v. City of Chicago, Civil Action No. 99 C 8201.)
- Liquefaction of hair through digestive enzymes. Does not destroy the drug content. Will capture all positives. **This is a patented procedure.**
- Holds the only **patent for RIAH**, Radioimmunoassay, capable of detecting individual molecules of drugs. Allows for standardization of cutoff levels for testing.

Managing Liability

Deterrence is the single most powerful benefit of any drug testing program encompassing Law Enforcement Personnel. The Chicago Police Department was one of the first Metropolitan Departments to realize the potential for catastrophe associated with impairment and the power to use deadly force and began using Hair testing in 1997. Detection of 100% of drug users is the only viable defense against liability litigation within the pre-employment testing scope. Quest Diagnostics, per its own FDA Submissions fails to detect drugs between 8% and 36% with respect to cocaine, PCP, methamphetamine and marijuana. (8, 36, 36, and 8 percent respectively) The utilization of the best technology in the industry for pre-employment drug testing is an affirmative defense attesting to the Department's commitment toward public safety.

Hair Testing Expenditures and Scope

Hair Testing is dependent on the Department's hiring goals and the number of applicants for any given Police Test. Police Tests have historically generated anywhere from 30,000 to 3000 applicants. The current trend is between 4000 and 6000. Psychemedics has offered a 9% decrease in pricing for the term of the contract. (See Procurement History worksheet for specific pricing)

Pre-employment Drug Testing

Hair testing is used in conjunction with urine testing. This tandem approach is necessary to capture the short and long term drug usage of candidates providing a comprehensive picture of drug usage. Urine covers the last seven days prior to testing. Hair covers 90 days excluding the most recent seven days.

Conclusions

This is the only vendor that can meet the Chicago Police Department Standard of FDA clearance for Body Hair which constitutes 20% of our testing population. This is the only vendor which can meet the specification of eliminating external contamination because of the proprietary wash procedure eliminating the Racial Bias argument. This is the only vendor which can guarantee 100% identification of positives as well as negatives because of the patented RIAH assay. Subsequently the potential for costly liability suits is virtually eliminated and more importantly the Chicago Police hiring schedule would not be derailed awaiting lengthy court decisions.

Psychemedics Corporation

FDA Clearance Head and Body Hair-will detect 20% of those candidates who shave their heads. Sole body hair provider

Washes each sample for 3 hours and 45 minutes. Analyzes the wash for drugs and deducts this amount from any positive finding. Eliminates the melanin from the hair. Eliminates the 'Racial Bias' argument.

Requires 1 ½ inches of hair- results in less rejection of samples for insufficient amounts

Sample is liquefied through digestive enzymes. Leaves only the drug behind. (**Patented procedure**)- will capture more positives.

FDA Submissions show that all positive samples remain positive after applications of relaxer, dye, and shampoo. This results in drug users not hired.

Has a **Patent** for RIAH-radioimmunoassay Uses gamma counters to detect drugs. Significant level of sensitivity. Measures individual molecules (Upheld by the Nevada Supreme Court, v. Cynthia Holmes)

Sets the benchmark for legal defense of its patented process with 29 major court decisions across the United States establishing the science of its procedures. In **Jones et al. v. City of Chicago**, 1999, was instrumental in winning a civil action suit against us for "Racial Bias".

Quest Diagnostics

FDA Clearance Head Hair only.- Will lose 20% of potential positives.

Washes for 15 minutes. Will result in false positives from outside contamination. Leaves the melanin. Opens the Department to 'Racial Bias' litigation.

Requires twice the amount of hair. Will increase rejection rates of samples because of insufficient collections.

Sample is chopped into small pieces and harsh chemicals are used to try and leach the drug out. Destroys some of the drug. Will destroy some positive samples.

FDA Submissions show that Quest failed to detect 8% of cocaine users, up to 36% of PCP users, up to 36% of Methamphetamine users and up to 8 % of marijuana users. Will allow drug users to be hired.

Uses urine enzyme assays. In essence using urine technology for hair testing. Uses litmus paper to detect drugs. Indicates positives by changing color. Less sensitivity. Will result in less positives.

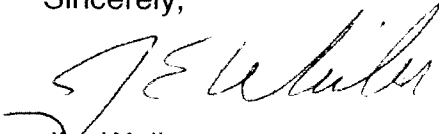
Relies on the legal track record set by Psychemedics for hair testing but cannot duplicate the patented procedure. Would leave us open to "Racial Bias" litigation.

July 3, 2007

City of Chicago
Department of Police

As discussed I have provided an addendum with a price change to your contract.
Please sign and return at your convenience

Sincerely,



Jim Weiler
Vice President, National Accounts
Psychemedics Corporation

ATTACHMENT A

PRICE LIST

RIAH SCREEN

Cocaine, Opiates, PCP, Methamphetamine and Marijuana
PRICE PER SAMPLE – \$ 37

GC/MS, GC/MS/MS, OR LC/MS/MS CONFIRMATION

Cocaine, Opiates, PCP, Amphetamine and Marijuana, and/or their metabolites
INCLUDED IN ABOVE PRICE

OTHER SERVICE OPTIONS

MULTI-SECTIONAL ANALYSIS

Cocaine, Opiates, PCP, Amphetamine and Marijuana, and/or their metabolites
PRICE PER SECTION - \$30

FOLLOW UP PROGRAM

Re-test of newly submitted sample
Cocaine, Opiates, PCP, Methamphetamine and Marijuana
PRICE PER SAMPLE - \$125

Cost of shipping samples to Psychemedics is not included in the pricing
unless otherwise noted.

Each Invalid or Quantity Not Sufficient Sample will
incur a \$15 handling fee.

All prices include sample acquisition materials, handling and result reporting.

**ADDENDUM TO CONTRACT DATED 5/26/99 BETWEEN
CITY OF CHICAGO, A MUNICIPAL CORPORATION OF THE
STATE OF ILLINOIS, ACTING BY AND THROUGH ITS
DEPARTMENT OF POLICE AND PSYCHEMEDICS CORPORATION**

City of Chicago, a municipal corporation of the State of Illinois, acting through its Department of Police, agrees to commit their total drug testing volume (excluding "for cause", post accident, and any other exceptions agreed upon by both parties) to Psychemedics Corporation. This Agreement shall remain in effect from July 2007 through June 2010. After expiration of such period, the Agreement shall continue in effect for successive terms of one year each (the "Renewal Terms") until terminated by either party upon written notice to the other provided not less than thirty (30) days prior to the expiration of the then current Renewal Term. In consideration of these commitments, Psychemedics Corporation will provide City of Chicago, a municipal corporation of the State of Illinois, acting through its Department of Police with the following pricing:

\$37.00 per test with no additional charge for GC/MS, GC/MS/MS, OR LC/MS/MS Confirmation

See revised price list (Attachment A)

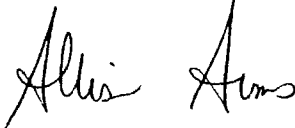
**Multi-Sectional Analysis
Price Per Section - \$30**

See revised price list (Attachment A)

All other terms and conditions of the Contract shall remain in full force and effect. The terms of this Addendum supersede the corresponding terms in the principal Contract to the extent that a conflict exists.

This Addendum shall only become effective upon receipt by Psychemedics of the fully executed Addendum.

**City of Chicago
Department of Police**



Psychemedics Corporation

Date: _____

Date: July 2, 2007

**CITY OF CHICAGO
 PURCHASE REQUISITION**

Copy (Department)

DELIVER TO: 799 MEDICAL DIVISION 3510 S. MICHIGAN AVE Chicago, IL	REQUISITION: 33828 PAGE: 1 DEPARTMENT: 57 - DEPARTMENT OF POLICE PREPARER: Esther M Shelby NEEDED: APPROVED: 6/5/2007
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REQUISITION DESCRIPTION

DRUG TEST SCREENING FOR 3YEARS W/2-1 YEAR EXTENSION OPTIONS
 SPECIFICATION NUMBER: 58126

COMMODITY INFORMATION

LINE	ITEM	QUANTITY	UOM	UNIT COST	TOTAL COST						
1	9487428100	9,000.00	Each	0.00	0.00						
CONTROLLED SUBSTANCE ANALYSIS SERVICE TO INCLUDE TESTING, - RIAH SCREEN WITH GC/MS CONFIRMATION-EMPLOYEES.											
SUGGESTED VENDOR:			REQUESTED BY: Esther M Shelby								
DIST	BFY	FUND	COST CTR	APPR	ACCNT	ACTV	PROJECT	RPT CAT	GENRL	FUTR	Dist. Amt.
1	007	0100	0573028	9027	220122	0000	00000000	000000	00000	0000	0.00
LINE TOTAL:											0.00

LINE	ITEM	QUANTITY	UOM	UNIT COST	TOTAL COST						
2	9487428200	9,000.00	Each	0.00	0.00						
CONTROLLED SUBSTANCE ANALYSIS SERVICE TO INCLUDE TESTING, - RIAH SCREEN WITH GC/MS CONFIRMATION-APPLICANTS.											
SUGGESTED VENDOR:			REQUESTED BY: Esther M Shelby								
DIST	BFY	FUND	COST CTR	APPR	ACCNT	ACTV	PROJECT	RPT CAT	GENRL	FUTR	Dist. Amt.
1	007	0100	0573028	9067	220122	0000	00000000	000000	00000	0000	0.00
LINE TOTAL:											0.00

LINE	ITEM	QUANTITY	UOM	UNIT COST	TOTAL COST						
3	9487428300	18.00	Each	0.00	0.00						
CONTROLLED SUBSTANCE ANALYSIS SERVICE TO INCLUDE TESTING, - EXPERT WITNESS TESTIMONY (\$500.00 PER DAY)											
SUGGESTED VENDOR:			REQUESTED BY: Esther M Shelby								
DIST	BFY	FUND	COST CTR	APPR	ACCNT	ACTV	PROJECT	RPT CAT	GENRL	FUTR	Dist. Amt.
1	007	0100	0573028	9067	220122	0000	00000000	000000	00000	0000	0.00
LINE TOTAL:											0.00

LINE	ITEM	QUANTITY	UOM	UNIT COST	TOTAL COST						
4	9487428400	30.00	Each	0.00	0.00						
CONTROLLED SUBSTANCE ANALYSIS SERVICE TO INCLUDE TESTING, - MULTI SECTIONAL ANALYSIS.											
SUGGESTED VENDOR:			REQUESTED BY: Esther M Shelby								
DIST	BFY	FUND	COST CTR	APPR	ACCNT	ACTV	PROJECT	RPT CAT	GENRL	FUTR	Dist. Amt.
1	007	0100	0573028	9067	220122	0000	00000000	000000	00000	0000	0.00
LINE TOTAL:											0.00

Where a commodity is for a particular or unique use other than standard quality, grades, color, size or other characteristics, give details of how it will be and for what purpose.
 Requisitions prepared incorrectly will be returned to the using department.

**CITY OF CHICAGO
 PURCHASE REQUISITION**

Copy (Department)

DELIVER TO: 799 MEDICAL DIVISION 3510 S. MICHIGAN AVE Chicago, IL	REQUISITION: 33828 PAGE: 2 DEPARTMENT: 57 - DEPARTMENT OF POLICE PREPARER: Esther M Shelby NEEDED: APPROVED: 6/5/2007
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REQUISITION DESCRIPTION

DRUG TEST SCREENING FOR 3YEARS W/2-1 YEAR EXTENSION OPTIONS
 SPECIFICATION NUMBER: 58126

COMMODITY INFORMATION

LINE	ITEM	QUANTITY	UOM	UNIT COST	TOTAL COST						
5	9487428500 CONTROLLED SUBSTANCE ANALYSIS SERVICE TO INCLUDE TESTING, - SAFETY NET PROGRAM-PER SAMPLE	30.00	Each	0.00	0.00						
SUGGESTED VENDOR:											
REQUESTED BY: Esther M Shelby											
DIST	BFY	FUND	COST CTR	APPR	ACCNT	ACTV	PROJECT	RPT CAT	GENRL	FUTR	Dist. Amt.
1	007	0100	0573028	9067	220122	0000	00000000	000000	00000	0000	0.00
LINE TOTAL:											0.00

LINE	ITEM	QUANTITY	UOM	UNIT COST	TOTAL COST						
6	94874.28 EVALUATIONS, REPORTS, TESTIMONY AND OTHER RELATED ACTIVITIES,PROGRAM RESEARCH CONSULTING	18.00	Hour	0.00	0.00						
SUGGESTED VENDOR:											
REQUESTED BY: Esther M Shelby											
DIST	BFY	FUND	COST CTR	APPR	ACCNT	ACTV	PROJECT	RPT CAT	GENRL	FUTR	Dist. Amt.
1	007	0100	0573028	9067	220122	0000	00000000	000000	00000	0000	0.00
LINE TOTAL:											0.00

REQUISITION TOTAL: 0.00

Where a commodity is for a particular or unique use other than standard quality, grades, color, size or other characteristics, give details of how it will be and for what purpose. Requisitions prepared incorrectly will be returned to the using department.